



January 27, 2005

The Honorable Max Baucus  
Ranking Member  
Senate Finance Committee  
Washington, D.C. 20510

Dear Senator Baucus:

On behalf of AARP's more than 35 million members, I urge you, as you review this year's budget submission, to reject arbitrary caps or cuts in the Medicaid program. We understand the need to seek efficiencies in Medicaid, but this can be achieved without compromising this vital program.

There is an old saying that, for every complex problem, there is a simple solution -- that is wrong. Arbitrary caps or cuts in federal Medicaid spending may seem like simple solutions. But policies that put millions of vulnerable lower income Americans at risk simply create more problems.

Medicaid provides necessary health care for one in every six Americans. It is the safety net for older Americans needing long-term care, for the disabled, and for children in poverty. It is the last resort for millions of poor American families whose wages are so low they cannot afford health insurance. In 2004, 59 percent of non-institutionalized Medicaid beneficiaries lived in families where one or more persons were employed. Medicaid beneficiaries are the uninsured and uninsurable -- those either priced out of the private market or pushed out because of health status.

But Medicaid does much more than help low-income Americans. By providing essential care for more than 40 million people, Medicaid is an integral part of the entire health care system. As such, caps or cuts that might produce short-term savings in fact only increase costs throughout the rest of the health care system.

For example, significant cuts in Medicaid would likely increase the amount of uncompensated care for already hard-pressed doctors and hospitals. The additional costs associated with uncompensated care would inevitably be shifted to other health care payers in the form of higher premiums. These additional costs would place even greater financial constraints on employers -- especially small businesses -- and create incentives for employers to leave the market, thereby further increasing the number of uninsured Americans. Arbitrary caps or cuts in Medicaid would only make a bad situation worse. A much more thoughtful and responsible approach is needed.

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We would like to work with you, other Members of Congress, state Governors and all stakeholders to make Medicaid more efficient while at the same time protecting the integrity of the program and those Americans who rely on its coverage.

Sincerely,

A handwritten signature in black ink that reads "William D. Novelli". The signature is written in a cursive, flowing style with a prominent initial "W".

William D. Novelli